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**ARIZONA CORPORATION COMMISSION**

May 26, 2004

The Honorable Jeff Flake  
United States Congress  
424 Cannon House Office Building  
Washington, D.C. 20515

***VIA FACSIMILE***

Dear Congressman Flake:

Thank you for meeting with me to discuss the \$110 million water quality problem facing Arizona. As we discussed, 287 small water systems in Arizona must comply with the EPA's new arsenic standard by January 23, 2006.

Much of rural Arizona is served by private, rather than municipal, water providers. Achieving the stricter EPA regulation will be an enormous challenge for these private water companies scattered throughout Arizona.

Groundwater is the primary source of drinking water. As a result, these private water companies will have to install costly treatment systems to achieve the new arsenic standard of 10 parts per billion.

The affected small water companies lack the financial wherewithal to purchase or lease treatment systems. Any rate increase passed on to customers would result in doubling or tripling their monthly water bills.

Congressional financial support is critically needed. In the current budget environment, I realize that obtaining an appropriation from Congress is difficult. However, the EPA has imposed a substantial **unfunded** mandate that affects 340,000 people across Arizona.

In our meeting, you mentioned the possibility of our delegation requesting an additional \$110 million in FY 2005 Budget. This amount would be earmarked for arsenic treatment in Arizona. In turn, that appropriation would be administered by Arizona's Water Infrastructure Finance Authority (WIFA) for low-interest loans and grants to affected small water systems.

Like you, I will continue my quest in ensuring that Arizonans have a safe supply of drinking water and the means to pay for it. Successful implementation of the arsenic standard depends on participation of all interested stakeholders. In the coming weeks, I plan to:

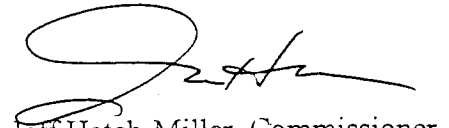
- Meet with representatives of the Arizona Department of Environmental Quality and WIFA.

- Meet with EPA representatives.
- Brief the state Water Utilities Association's arsenic task force.
- Work with the Arizona Legislature's arsenic task force.

Arizonans are proud of your commitment in protecting their health, safety and welfare. I know you will do your best to obtain the necessary funding so that Arizona's small water companies can meet the new federal arsenic standard.

I appreciate your professionalism, courtesy and willingness to help us on this pressing problem.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jeff Hatch-Miller", with a large, stylized initial "J" and a horizontal line extending to the right.

Jeff Hatch-Miller, Commissioner  
Arizona Corporation Commission

cc: Chairman Marc Spitzer  
Commissioner Bill Mundell  
Commissioner Mike Gleason  
Commissioner Kristin Mayes